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AUDITOR-CONTROLLER

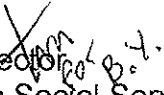
**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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October 1, 2004

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

Bryce Yokomizo, Director 
Department of Public Social Services

SUBJECT: **TRANSFER OF THE REFUGEE IMMIGRANT TRAINING AND
EMPLOYMENT PROGRAM (RITE) TO THE DEPARTMENT OF PUBLIC
SOCIAL SERVICES**

On September 21, 2004, in response to the Department of Public Social Services (DPSS) and Community and Senior Services' (DCSS) recommendation to transfer the responsibility for administering and providing direct services to the RITE participants to DPSS, the Board directed the Auditor-Controller (A-C) and the Director of Public Social Services to develop a proposal for a pilot project utilizing the most effective RITE contractors. The Board also requested a report on the number of DPSS employees that are available and speak the languages and have the cultural understanding of the RITE participants. In addition, the Board asked for the DPSS' plan for offering employment to employees who will be displaced as a result of DPSS taking responsibility for providing direct services to the RITE participants.

Finally, on September 28, 2004, the Board requested the A-C to respond to public comments by Catholic Charities of Los Angeles regarding their concern over the monitoring findings.

Summary

In summary, our recommendation continues to be that the responsibility for administering and providing direct services to all RITE participants be transferred to DPSS. However, if the Board decides to approve a pilot project utilizing the most

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effective RITE contractors, we recommend that only two contractors be selected, that the scope of services to be contracted be limited to case management, and that an amended/revised contract be developed that holds the contractor accountable through the use of performance measures.

To direct that such a pilot be implemented, your Board would need to take the following actions:

- ◆ Instruct DPSS to establish a pilot project by amending existing contracts with Jewish Vocational Services and Pacific Asian Consortium in Employment to provide case management services in the areas and languages in which they currently provide such services from January through September 2005.
- ◆ Direct DPSS to include similar contract requirements and performance measures as those currently in the GAIN Program contracts.
- ◆ Instruct DPSS and the Auditor-Controller to report back to the Board at the end of the pilot project with the following:
 - A determination of the cost effectiveness of the pilot project.
 - An evaluation of the performance of Jewish Vocational Services and Pacific Asian Consortium in Employment in comparison to DPSS.

Additional information is included on Attachment I including your Board's request on DPSS language capacity, vacant positions and the displaced worker plan. The A-C's response to the public comments by Catholic Charities is also included on Attachment I.

Please call us if you have any questions, or your staff may contact Don Chadwick of the Auditor-Controller at (626) 293-1102.

JTM:MMO:DC

Attachments

c: David E. Janssen, Chief Administrative Officer
Cynthia D. Banks, Chief Deputy Director, DCSS
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**Transfer of the Refugee Immigrant Training and
Employment Program (RITE) to the
Department of Public Social Services**

Background

In July 2004, the A-C reported to the Board the results of their contract monitoring reviews of the RITE contractors. The A-C had performed reviews of 11 RITE contractors and determined that the contractors often overstated employment and job training outcomes, resulting in the contractors' over-billing DCSS. For example, some contractors billed the County for placing participants in employment for which they were paid based on piecework rather than an hourly wage, as required by the contract; other contractors billed the County for placing participants in full-time jobs when the participants were already employed full-time with the same employer; and some contractors billed for Case Management and Job Club services when the participant did not receive all the required service components.

In the July 30, 2004 report to the Board, the A-C also noted the issue of cost effectiveness. As a result of two incidences of very large RITE contract employee thefts of program funds, DPSS had to significantly restructure payment controls and monitoring of ancillary and transportation reimbursements. Accordingly, the RITE program, as currently configured, was determined to not be cost-effective.

Because of the significant problems noted during the monitoring reviews, including the cost-effectiveness issue, the A-C recommended this program no longer be contracted and that the responsibility for administering and providing direct services be transferred to DPSS. This recommendation was the basis for DPSS and DCSS recommending to the Board that DPSS staff provide RITE program services.

Approach to Pilot Project

On September 21, 2004, your Board requested that instead of transferring to DPSS the responsibility for providing direct services to all RITE participants, that DPSS and the A-C develop a proposal for a pilot project utilizing the most effective RITE contractors.

We determined that certain conditions should exist for a pilot to be a viable option, given the nature of the RITE program audit findings, and to provide a basis for an evaluation of the pilot project.

1. The scope of services should be limited to case management. Although no RITE provider performed this function very well, it was selected as a condition because it is essential to the success of the RITE program, i.e., obtaining employment for participants. It also lends itself to measuring the effectiveness of providers in providing services that improve the participants' employment capabilities and/or the quality of jobs she/he gets.

2. Services to be piloted have to be provided in a cost-effective manner by a competitively-procured contractor, following the completion of the pilot.
3. The revised contract with the providers under the pilot must include performance measures so that contractors' performance can be measured against specific standards as noted above.
4. The number of agencies that would participate in the pilot should be limited to allow for careful monitoring, and should be those agencies that performed better than the other agencies audited.
5. The scope of any contracts in the pilot should be limited to the geographic areas and languages in which the pilot contractors currently provide RITE program services.

The A-C determined the most reasonable basis for determining which agencies performed better would be to compare the percentages of the total dollar amounts sampled that were over billed. The following chart ranks the RITE contractors based on dollars over billed:

	AGENCY	Amount Over billed	Amount Sampled	% Over billed
1	Catholic Charities of Los Angeles (CIU)	\$0	\$2,510	0%
2	Jewish Vocational Services (JVS)	\$770	\$5,860	13%
3	Pacific Asian Consortium in Employment (PACE)	\$1,096	\$6,742	16%
4	Community Based Education and Development College (CBD)	\$2,084	\$6,884	30%
5	International Institute of Los Angeles (IILA)	\$2,934	\$9,518	31%
6	Community Rehabilitation Industries (CRI)	\$1,902	\$5,652	34%
7	Economic and Employment Development Center (EEDC)	\$2,626	\$6,865	38%
8	Community Employment Project (CEP)	\$3,650	\$9,350	39%
9	Armenian Evangelical Social Service Center (AESSC)	\$2,750	\$6,900	40%
10	Los Angeles Unified School District (LAUSD)	\$4,050	\$8,150	50%
11	Armenian Relief Society (ARS)	\$4,100	\$6,576	62%

Note: Two of these providers, CEP and CRI, voluntarily terminated their RITE program contracts subsequent to the completion of the A-C's review.

As the chart indicates, with the exception of Catholic Charities of Los Angeles which is discussed below, the contractor with the lowest over billed amounts to the County is the

Jewish Vocational Services (JVS) followed by the Pacific Asian Consortium in Employment (PACE). The other providers' error rates ranged from 30% to 62%. Accordingly, we recommend JVS and PACE be the pilot agencies if the pilot approach is approved.

It should be noted that while Catholic Charities did not over bill the County for services provided, they do not provide the same types of RITE services as the other RITE contractors. Catholic Charities schedules and provides Orientation to the RITE program participants, and refers the RITE program participants to one of the RITE case management contractors. As discussed below, DPSS will use Los Angeles County Office of Education (LACOE) to provide orientation services countywide to the RITE program participants, as LACOE currently does for participants in the GAIN program. Therefore, there is no need to include a contract with Catholic Charities as part of the pilot.

Pilot Project Structure and Contract

DPSS' current GAIN Program is operated by using a combination of DPSS staff and contractors to provide case management services to English and Spanish-speaking CalWORKs Welfare-to-Work (WtW) participants. We believe that the proposed pilot project should be structured similar to DPSS' GAIN Program. In this way, the A-C and DPSS will be able to better evaluate the performance of the RITE contractors in relation to the performance of DPSS' staff.

If the pilot project is approved, DPSS should assume administrative responsibility for the two pilot contractors that would provide case management services. Other program services, such as Orientation, Job Club, and Vocational Assessment, should be performed by Los Angeles County Office of Education (LACOE). LACOE currently provides these same services to the GAIN Program participants.

DPSS will need to amend the existing contracts for the two RITE contractors participating in the pilot project. The amended contracts should be similar to the contracts DPSS has with the GAIN case management contractors (ACS and Maximus). This will assure consistency in holding the RITE contractors to the same performance standards and program requirements that DPSS staff and GAIN contractors must follow.

Also, the amended contracts will include performance measures with financial incentives and penalties to encourage the RITE pilot contractors to maintain or exceed the quality of services provided. The current RITE contract does not contain performance measures or other provisions that encourage the contractor to improve their levels of service.

Evaluating the Pilot Project

Nine months after the pilot project has been implemented, the A-C, working with DPSS, will use the performance measures identified in the amended contracts to compare the

performance of the pilot contractors with the performance of DPSS staff. We will report the results of this comparison to the Board.

Pilot Timeframe

If approved, the pilot would be implemented effective January 1, 2005, through September 30, 2005.

DPSS Language Capacity

If DPSS assumes direct responsibility for case management for the current RITE caseload, DPSS would meet the language needs of those cases with current DPSS staff and any displaced RITE employees DPSS may hire. As indicated on Attachment II, DPSS can meet the language needs of 98% of the RITE cases with existing bilingual GAIN Services Workers (GSWs) who will be housed in the appropriate GAIN region. The vast majority of these bilingual GSWs are immigrants from the same countries as the RITE participants, and therefore share the culture of the RITE participants, as well as their language. For the remaining 2% (84 cases) of the RITE cases, language needs will be met by other DPSS staff who speak the participant's language, or by Language Line Services, previously known as the AT&T Language Line.

Vacant Positions and Displaced Worker Plan

According to the Department of Community and Senior Services, 90 RITE provider staff could potentially be displaced, if DPSS assumes case management responsibility for the RITE caseload and the RITE provider staff are not absorbed in other programs within their agency. Of the 90 RITE staff, 77 are case managers, job developers, supervisors, or managers that would very likely meet the minimum requirements for GSW. The remaining 13 employees are accountant or clerical support staff.

Some RITE provider employees have already taken and passed the GSW Civil Service Exam. DPSS will offer all RITE employees who have not yet taken the GSW exam the opportunity to do so, and will give hiring priority to displaced RITE employees who pass the exam and are in a reachable band, in accordance with Civil Service Rules. Though DPSS has sufficient bilingual GSWs, who are currently serving English-speaking participants, assuming the RITE caseload will result in a net increase in the caseload served by DPSS, and a corresponding need for additional GSWs. These additional GSWs could be displaced RITE employees.

To the extent that individual displaced RITE employees do not meet the minimum requirements for the GSW position or are otherwise not eligible to be hired as GSWs, DPSS will notify those displaced employees of any other open Civil Service exams for which they may qualify, and will grant hiring priority for all DPSS positions to displaced RITE employees who successfully participate in a Civil Service exam and are in a reachable band, in accordance with Civil Service Rules.

Public Comments at the September 28, 2004 Board Meeting

On September 28, 2004, the Board requested the A-C to respond to public comments by Catholic Charities of Los Angeles regarding their concern over the monitoring findings.

Catholic Charities indicated that the A-C had not responded to the RITE contractors' written responses and believed that the percentage of the amounts the contractors over billed the County is not final.

The A-C provided comments regarding the contractors' responses in most of the final reports we sent to the Board. For two of the RITE contractors, the contractors' responses had not been received by the time we issued our final report. We will be submitting our comments to the Board together with these contractors' responses.

It should be noted that the contractors did not agree with the majority of the A-C's findings. The contractors indicated that portions of the County contract are not clear and are open to interpretation and that DCSS verbally approved their actions.

While the A-C recognizes that the current contracts lacked clarity in some areas and certain of the administrative matters contractors noted may have been subject to interpretation, the A-C's findings show numerous billing infractions and other non-compliant areas which cannot be dismissed due to lack of contract or program understanding. The A-C has on numerous occasions explained to the contractors why their comments and/or documentation did not justify changing our findings.

DPSS and Contractor Overcharges

Catholic Charities of Los Angeles claimed that the A-C acted unfairly when they recommended that the County terminate the contracts with the existing RITE providers and did not recommend that the County terminate the contract with a GAIN contractor even though one of the findings showed that a GAIN contractor over billed the County.

In the case of the GAIN contractor, the overpayments were the result of undocumented expenditures. The A-C's review of the RITE contractors also noted instances in which the RITE contractors did not have documentation to support ancillary payments to the program participants. These findings were reported by the A-C but were not a basis for recommending terminating the RITE contractors. The basis for the A-C's recommendation to transfer the RITE program back to DPSS was the issue of the contractors billing DCSS for services that were not provided and the fact that the current RITE program is not cost effective.

RITE LANGUAGE NEEDS AND DPSS STAFF LANGUAGE CAPACITY

RITE caseload that could be served by existing DPSS GAIN Services Workers (GSW).			
Language Group	Number of RITE Cases	Number of GSWs Needed Based on 115 Yardstick	Number of GSWs with Language Capability
Armenian	1,884	16.38	22
Vietnamese	854	7.43	51
Cambodian	479	4.17	44
Cantonese	385	3.35	16
Russian	215	1.87	18
Farsi	129	1.12	6
English - See Note 1	160	1.39	-
Mandarin	88	0.77	17
Korean	82	0.71	7
Arabic	78	0.68	6
Tagalog	25	0.22	40
Hindi	8	0.07	1
French	5	0.04	3
Japanese	5	0.04	1
Thai	2	0.01	1
Subtotal # Cases	4,399	38	233
% of Total RITE Caseload	98%		

RITE LANGUAGE NEEDS AND DPSS STAFF LANGUAGE CAPACITY (Cont'd)			
RITE caseload requiring use of other bilingual DPSS employees or Language Line Services.			
Language Group	Number of RITE Cases	Number of GSWs Needed Based on 115 Yardstick	Number of other DPSS Staff with Language Capability
Samoan	36	0.31	15
Lao	8	0.07	8
Sinhalese	5	0.04	1
Lithuanian	4	0.03	0
Hmong	3	0.03	1
Indonesian	3	0.03	2
Hungarian	2	0.02	0
Burmese	2	0.02	1
Albanian	2	0.02	0
Urdu	2	0.02	2
Bulgarian	2	0.02	0
Bengalese	2	0.02	2
Pakistani	2	0.02	0
Tongan	1	0.01	2
Eritrea	1	0.01	0
Czechoslovakian	1	0.01	0
Ukrainian	1	0.01	1
Illacano	1	0.01	4
Lingala	1	0.01	0
Rwanda	1	0.01	0
Rumanian	1	0.01	4
Yugoslavian	3	0.03	2
Subtotal # Cases	84	0.73	45
% of Total RITE Caseload	2%		
Total RITE Caseload	4,483		

Note 1: Reflects a caseload with "English" as a Primary Language Code but participant may prefer to receive services in another language. Primary Language Code can be changed at the request of the participant.